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RELEASED

B-130515

November 6, 1970

Labor

Dear Senator Bellmon:

This report is in reply to your letter of June 2, 1970, requesting that we examine into possible irregularities in the operation of a Department of Labor Neighborhood Youth Corps project sponsored by the Caddo Electric Cooperative of Binger, Oklahoma. The project was discontinued in January 1969. The alleged irregularities were described in a letter to you dated April 22, 1970, from Mr. Gerald Marlett of Union City, Oklahoma.

As suggested in your letter, we interviewed Mr. Marlett to obtain the specific information he had concerning the alleged irregularities. In addition, we reviewed pertinent records and interviewed officials at the Department of Labor's regional office in Dallas, Texas, and at Caddo. At Caddo we interviewed the two individuals who had served as director and assistant director of the project. We also visited certain private establishments in Hinton and Anadarko, Oklahoma, which were mentioned in Mr. Marlett's letter to you.

Our examination was directed toward ascertaining whether the matters specified in Mr. Marlett's letter constituted irregularities in the operation of the project and not toward an overall evaluation of either the Neighborhood Youth Corps program or the project headquartered at Binger. Although we found that the information furnished by Mr. Marlett was correct in many respects, our examination did not indicate any improper expenditures of project funds.

The results of our examination are set forth below, preceded, for your information, by a brief description of the Neighborhood Youth Corps program.

NEIGHBORHOOD YOUTH CORPS PROGRAM

The Economic Opportunity Act of 1964, as amended (42 U.S.C. 2701), authorized the establishment of the Neighborhood Youth Corps program. This program provides Federal funds and technical assistance to public or private organizations that sponsor and operate work-training projects for students and unemployed young men and women from low-income families who need funds to continue or resume their education or work experience in order to become employable. The act authorizes the Director, Office of Economic Opportunity, to formulate and carry out the program. The program is administered, however, by the Secretary of Labor, pursuant to a delegation of authority from the Director, Office of Economic Opportunity.

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To achieve the objectives of the program, the Department of Labor has established three components. in-school, out-of-school, and summer. Caddo operated a Neighborhood Youth Corps project having both in-school and summer components.

The act provides that Federal assistance to projects generally not exceed 90 percent of the costs of such projects, including enrollee wages, fringe benefits, and administration. Non-Federal contributions may be in cash or in kind, fairly evaluated, including, but not limited to, plant, equipment, and services.

Caddo operated a project under four contracts with the Department during the period from June 1965 to January 1969. The Federal share of costs under these contracts totaled \$1,673,000, including \$125,000 for Caddo's administrative expenses.

Under the final contract, the project activities covered 11 counties in the western part of Oklahoma. A report submitted to the Department by Caddo showed that there were 104 youths enrolled in the project in December 1968, the last month of project operations.

By letter dated December 2, 1968, the Department advised Caddo that its sponsorship of the project would not be renewed when the then-current contract terminated on January 4, 1969, and that enrollee quotas assigned to the Caddo-sponsored project would be reassigned to other projects which would serve the area formerly served by the Caddo-sponsored project. The letter stated that the action was being taken because the Department had been concerned for some time with the problem of increased project administrative costs and reduced enrollee levels.

RESULTS OF EXAMINATION

Mr. Marlett's letter specifically questioned (1) reimbursements to the assistant director of the project from project funds for use of an automobile which was owned by Caddo, (2) attendance by the assistant director of the project at a National Rural Electric Cooperative Association convention at the expense of Caddo, and (3) the propriety of the assistant director's operating private business ventures while he was employed by the project.

Reimbursements for use of Caddo-owned automobile

Mr. Marlett's letter stated that the assistant director of the Caddo-sponsored project had been reimbursed from project funds for the use of an automobile which was owned, maintained, and supplied with gasoline by Caddo. Mr. Marlett informed us that the assistant director had received, as reimbursements, checks totaling \$10,137 which were drawn on the project's

bank account during the period from June 29, 1965, to June 6, 1969, and which were signed by the director of the project who was also the manager of Caddo.

Mr. Marlett advised us that a former employee of Caddo, who had been the vehicle maintenance supervisor for Caddo, had told him that the Caddo-owned automobile used by the assistant director had been regularly serviced and supplied with gasoline by Caddo.

The manager of Caddo told us that Caddo's board of directors had decided to allow the assistant director to use an automobile owned by Caddo for project business and that the assistant director had maintained the vehicle and had bought his own gasoline and oil.

The former assistant director stated that he had used the Caddo-owned automobile part of the time for project business and that he had supplied the gasoline and had provided for its maintenance. He stated also that he had driven his own car some of the time for project business. Our analysis of available mileage reports submitted by the assistant director, on which odometer readings were shown, indicated that, for the periods December 1965 through October 1966 and January through December 1967, he had used the Caddo-owned automobile about 58 percent of the time and other vehicles about 42 percent of the time for project business. The available mileage reports contained the following certification: "I certify this to be the correct total miles driven for Neighborhood Youth Corps business."

We were unable to ascertain the extent that the Caddo-owned vehicle was used during the period June through November 1965, because the mileage reports submitted for that period did not show the odometer readings of the vehicles used in traveling on official business. In addition, we could not ascertain the extent that the Caddo-owned vehicle was used during the months of November and December 1966 and during calendar year 1968, because the mileage reports for those periods were not available for our review. The manager of Caddo told us that the missing mileage reports might have been removed for audit and then misplaced but that he could not say for sure.

Under Caddo's budgets for the project, the Department allowed reimbursement from Federal funds for staff travel expenses at the rate of 8 cents a mile. The financial records of the project showed that the total amount paid to the assistant director for such travel expenses was \$10,655. (We were able to ascertain, for those periods for which records were available, that reimbursement had been made at the rate of 8 cents a mile.) Also, the last payment to the assistant director was made as of January 6, rather than June 6, 1969, as had been claimed in Mr. Marlett's letter. The final payment covered travel performed in December 1968. As noted previously, Caddo's sponsorship of the project was terminated by the Department effective January 4, 1969.

Conclusion

Under project budgets submitted by the sponsor to the Department, Federal funds were to be used for, among other things, reimbursing staff members for travel on official project business at the rate of 8 cents a mile. Under these circumstances, the Department was obligated to reimburse Caddo for payments made on a mileage basis to employees of the project for travel on official project business. Whether any portion of the amounts paid to the assistant director for travel involving the Caddo-owned automobile should have been paid to Caddo, rather than to the assistant director, is a matter for resolution between the assistant director and Caddo.

Attendance by the assistant director at a National Rural Electric Cooperative Association convention

Mr. Marlett stated that in February 1966, the assistant director, while he was on the payroll of the project, attended a National Rural Electric Cooperative Association convention in Las Vegas, Nevada, at the expense of Caddo.

The manager of Caddo confirmed that the assistant director had attended the convention at the expense of Caddo while he was employed by the project. The manager told us that other cooperatives had expressed an interest in Caddo's sponsorship of the project and that he believed that the assistant director was more familiar than he with the features of the Neighborhood Youth Corps program. He stated that the assistant director had gone to the convention for a period of 3 days for the express purpose of selling other cooperatives on sponsoring Neighborhood Youth Corps projects.

An official of the Department told us that the Department would not have objected to the assistant director's attendance at the convention in February 1966, if the purpose of such attendance, as stated by the manager of Caddo, had been to promote the sponsorship of Neighborhood Youth Corps projects.

Conclusion

On the basis of the information furnished by the manager of Caddo and of the position indicated by the Department, we believe that the assistant director's attendance at the convention in February 1966 was not inconsistent with the objectives of the project sponsored by Caddo.

Private business ventures operated by the
assistant director

Mr. Marlett stated that the assistant director, while an employee of the project, had operated a vending-machine business and a laundry in Hinton and had managed a cold-storage plant in Anadarko, which he still managed as an employee of Caddo.

The assistant director and the manager of Caddo confirmed that the assistant director has owned coin-operated vending machines and a laundromat since some time before his appointment to the Neighborhood Youth Corps project in June 1965.

In discussing whether the vending-machine activity might have interfered with the assistant director's Neighborhood Youth Corps activities, we had been informed that the machines, which dispensed such items as coffee and candy, were located in two carpet mills in Anadarko. We were informed also that the assistant director's father initially maintained the vending machines, but when machines were installed in a second mill, a full-time employee was hired who continues to service the machines at the two carpet mills.

With respect to the laundromat, the assistant director advised us that it has been operated by a local housewife and that his principal functions have been to collect the money from the machines and to pay any bills. Although we could not verify the assistant director's statement with respect to circumstances that existed during the contract period, we visited the laundromat and noted that it contained coin-operated washing machines, dryers, and dispensers of soaps and bleaches. A female attendant was present at the laundromat during our visit.

With respect to the cold-storage plant, the assistant director told us that he had acted principally in an advisory capacity to the owner while in the employ of the project and that he was still acting in that capacity. The assistant director stated that, during his project employment, his functions relative to the cold-storage plant had been performed in the mornings before the start of the regular workday and on weekends. During our visit to the plant, an employee, who identified himself as its manager, informed us that the plant was a refrigerated warehouse for storing commodities.

According to the manager of Caddo, the project assistant director has been employed full time by Caddo in public relations and customer-service activities for more than 10 years, both before and after the period of Caddo's sponsorship of the Neighborhood Youth Corps project. The manager said that the assistant director had not neglected his project duties because of his outside activities.

Conclusion

Because it would not have been feasible for us to independently evaluate, almost 2 years after the expiration of the contract, the effect of the assistant director's private business activities on his performance of Neighborhood Youth Corps project duties, we did not attempt to examine any further into this matter. We find no objection to activities of this nature as long as they do not interfere or do not conflict with the performance of official duties.

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As agreed upon with your staff, a copy of this report is being sent to the Department of Labor. We plan to make no further distribution of this report unless copies are specifically requested, and then we shall make distribution only after your agreement has been obtained or public announcement has been made by you concerning the contents of the report.

We trust that the foregoing information will serve the purpose of your request.

Sincerely yours,


Assistant Comptroller General
of the United States

The Honorable Henry Bellmon
United States Senate